
AFRIMAT®
LIMITED

2023

# AUDITED SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 28 February 2023

## Highlights

- Group revenue **up 4,9%** to **R4,9 billion**
- Headline earnings per share ('HEPS') of **457,6 cents**
- Final dividend per share of **110,0 cents**
- Operating profit margin **19,6%**
- Net asset value ('NAV') per share **up 19,4%** to **2 591 cents**
- Return on net operating assets **24,0%**
- Net debt:equity ratio of **4,4%**
- Net cash from operating activities of **R1,0 billion**

**Afrimat Limited**
('Afrimat' or 'the Company' or 'the Group') (Incorporated in the Republic of South Africa)
(Registration number: 2006/022534/06) Share code: AFT ISIN code: ZAE000086302

www.afrimat.co.za

Audited summary consolidated financial statements

# Commentary

## Introduction

The Group continues to remain resilient and delivered satisfactory results for the year ended 28 February 2023 supported by its diversification strategy. This strategy enabled the Group to largely compensate for the impact of factors such as poor market sentiment, inflationary cost pressures, electricity supply interruptions by Eskom and rising concerns of a global recession.

Strategic initiatives that contributed positively to the Group's performance were the successful commissioning of Jenkins iron ore mine ('Jenkins'), the turnaround of Nkomati anthracite mine ('Nkomati') and the ongoing continuous improvement initiatives at existing operations. Detractors to Group results were the decrease in iron ore prices and an economic slow-down which impacted the Construction Materials and Industrial Minerals businesses, coupled with a rise in input costs such as diesel, explosives and electricity.

Diversification, cost reductions, increased volumes from the mines coming online and efficiency improvement initiatives remain the cornerstone of the Group's strategy and are used to counter macro-economic impacts beyond management's control.

## Financial results

Group revenue increased by 4,9% from R4,7 billion to R4,9 billion. Operating profit decreased by 13,3% from R1,1 billion to R1,0 billion, resulting in the operating profit margin declining from 23,7% to 19,6%. Operating expenses increased by 15,4% largely due to increased operating activity at Jenkins and Nkomati. A rise in future volumes, as these mines reach a steady state, is expected in the coming year.

Headline earnings per share declined by 15,7% from 542,9 cents to 457,6 cents.

Net cash from operating activities of R1,0 billion was generated, as well as R680,0 million from a successful equity raise during the year, resulting in the net debt:equity ratio decreasing from 12,1% to 4,4%. The strong cash generation enables the Group to execute its growth strategy.

Afrimat has maintained its dividend policy and declared a final dividend of 110,0 cents per share.

## Operational review

All operating units are strategically positioned to deliver outstanding service to customers while offering efficient protection against volatile local business conditions. The product range is wide, diversified and growing. It is made up of Construction Materials consisting of aggregates and concrete-based products, Industrial Minerals consisting of limestone, dolomite and industrial sand and Bulk Commodities consisting of iron ore and anthracite. The Services segment consists of external logistical and mining services. The Group's latest addition, Future Materials and Metals, consisting of phosphate, vermiculite and rare earth elements, has expanded the Group's product offering and national footprint.

The **Bulk Commodities** segment, consisting of the Demaneng and Jenkins iron ore mines, and the Nkomati anthracite mine, contributed 81,9% to the Group's operating profit. The excellent performance was largely due to increased volumes from Jenkins coming into production, the successful turnaround of Nkomati and cost-saving initiatives.

The Jenkins iron ore mine is fully operational and together with the Demaneng mine sold 1 280 299 tonnes for F2023 (F2022: 1 190 132 tonnes). Although the operating profit decreased by 15,6% after the pullback of iron-ore prices from record levels in 2022 and a rise in input costs, a healthy operating profit margin of 40,3% was generated from the iron ore mines. The allocation of trains from Transnet is becoming more consistent. This segment is well-positioned to weather the volatility of the iron ore price because it is a low cost producer and has fixed pricing agreements for its inland iron ore and anthracite revenue.

During the year, the first blast was undertaken at Driehoekspan, the iron ore asset that will replace the Demaneng mine once it is mined out, which is expected to be in three years' time. Driehoekspan and Doornpan (as part of the Coza acquisition) are to be brought into production to maintain export volumes and have a combined life of mine in excess of 15 years.

Innovative technology solutions which optimise mine fleet efficiency were rolled out at Jenkins and Demaneng. This resulted in cost savings which countered, to an extent, the rise in the diesel price and the fall in the iron ore price.

The Nkomati anthracite mine has turned from initial start-up losses to being profitable from August 2021 and contributed 23,1% to the segment's revenue for the year. It produces a high-quality product sold into the local market, as a replacement for imported anthracite, and is recognised as a consistent, reliable supplier of anthracite. During F2023, volumes at Nkomati amounted to 317 943 tonnes (F2022: 219 845 tonnes).

The long-term sustainable life of mine plan is being enhanced through the opening of two opencast pits and the continued development of the underground operations. The first anthracite from these developments was extracted early in the new financial year. These planned new sources will reduce the overall average strip ratio compared to historical stripping ratios. This is a purposeful strategy to support greater diversification across the Bulk Commodities segment in both product range and income streams.

Additional information on each mine's contribution to the Bulk Commodities segment is available in note 2.

The integrated annual report will contain a Competent Persons Report with data on the reserves of the operating mines in the Bulk Commodities segment, in line with what is required now that Afrimat is listed in the general mining segment of the JSE.

Given the current economic operating conditions, **Industrial Minerals** businesses across all regions delivered satisfactory results. However, the impact of the economic slowdown was exacerbated by electricity supply interruptions resulting in a decrease in operating profit of 41,9% from R84,9 million to R49,4 million. This segment was also impacted by the acquisition of Agri Lime Proprietary Limited and Stony Lime Proprietary Limited (collectively 'Agri Lime') with a turnover of R131,9 million and an operating loss of R4,5 million included in the results.

The **Construction Materials** segment also felt the impact of the slowdown in economic activity. The overall reduction in construction activity and electricity supply interruptions caused operating profit to decrease by 17,7% from R157,5 million to R129,6 million.

**Future Materials and Metals** is the most recent segment to be added to the Group's operational segments in support of its diversification strategy.

Glenover is the segment's first project and it diversifies Afrimat's exposure wider than ferrous metals and aligns it to global trends such as the advancement of technology for decarbonisation (through rare earth minerals) and food security (through fertiliser products). Glenover is a greenfields project that has begun with its first production during the period and is in a ramp-up phase.

The project contains three essential businesses: (i) fertiliser for agricultural applications; (ii) vermiculite for various applications from industrial to horticulture; and (iii) rare earth elements, supporting technological advancements such as high-strength permanent magnets and battery technology.

Revenue of R25,2 million was generated by the segment, with start-up losses of R11,4 million. The Group is in the process of ramping up this operation, with site establishment already completed.

Looking ahead, careful project implementation and the rollout of a well thought-through strategy for Glenover will be a top priority. This is expected to include vermiculite processing, optimisation of the high-grade phosphate project and the implementation of the super single phosphate ('SSP') project. These product lines will add additional volumes in future.

The Afrimat Board approved a spend of R300,0 million needed to purchase all the shares in Glenover including the surface and mining rights. This is essential to support a long life of mine and a business case to optimise Glenover's value.

## Business development

The Group's business development team remains a key component of the Group's growth strategy. The team continues to identify opportunities in existing markets successfully and anticipated new high-growth areas in southern Africa.

## Acquisitions

### Acquisitions completed during the year are:

#### Glenover Phosphate Proprietary Limited ('Glenover')

Glenover is located 90km northwest of Thabazimbi in the Lephalale Municipality in the Limpopo province. Glenover owns a mining right over the property it owns to mine high-grade phosphate, vermiculite and rare earth elements. Current reserve statements provide for a resource life of more than 20 years.

#### Agri Lime Proprietary Limited ('Agri Lime')

During the year the Group acquired Agri Lime as part of the Industrial Minerals segment. Refer to note 13.1 for further details.

#### Eckraal Quarries Proprietary Limited ('Eckraal Quarries')

During the year the Group acquired Eckraal Quarries as part of the Construction Materials segment. Refer to note 13.2 for further details.

## B-BBEE

Afrimat BEE shareholding, which includes shares held by the Afrimat BEE Trust, equate to 28,2%.

Notwithstanding the fully empowered ownership platform in line with the Mining Charter requirements, the Group remains dedicated to enhancing all aspects of B-BBEE on an ongoing basis. Afrimat is committed to a bottom-up approach to transformation and successfully focused on sustained training, skills development and all-round employee upliftment in the financial year.

## Dividend

The Group's dividend policy is maintained at a 2,75 times dividend cover. A final dividend of 110,0 cents per share (2022: 146,0 cents per share) for the year was declared on 17 May 2023. The net dividend payable to shareholders subject to dividend tax is 88,0 cents per share (2022: 116,8 cents per share). Total dividend for the year amounted to 150,0 cents per share (2022: 186,0 cents per share).

## Employees and continued sustainability

During the year, good labour relations continued to be maintained. Pleasingly no labour action or significant community actions occurred. The Group is committed to creating and sustaining harmonious relationships in the workplace and addressing issues proactively. Afrimat continues to prioritise staff development, training and education on the human capital agenda.

More than 480 new employees were appointed within Afrimat during the year, taking the total employees to over 2 668. With training and development being a critical part of the Group, a total of 11 836 training days for employees were undertaken during the financial year, supplemented by the issuance of 81 staff bursaries.

Afrimat has 44 mining rights in place and a dedicated team to liaise with the respective governing bodies including the Department of Mineral Resources and Energy, the Department of Water and Sanitation and the Department of Environmental Affairs. Good, healthy relationships with the various authorities have been maintained. All the environmental authorisations applied for, were received within a reasonable time. The diversification strategy embarked on by Afrimat has created a need to liaise and build new relationships with the Department of Agriculture, Land Reform and Rural Development.

Work on the carbon neutrality strategy continues, with extensive studies having been undertaken to determine the main detractors. An initial renewable energy project to reduce carbon emissions is underway at Glen Douglas Dolomite. A target is set to decrease carbon emissions by 32% by 2030. In line with a sector change to general mining, disclosure improvements are available on the Afrimat website relating to the Mineral Resources Register.

## Prospects

The Group is well positioned to capitalise on strategic initiatives and future opportunities. The Group's future growth will be driven by the successful execution of its proven strategy, recent acquisitions and a wider product offering to the market, with many exciting potential opportunities being investigated.

Afrimat continues to focus on sustainable diversification in all five segments. In the new Future Materials and Metals segment, the focus is to ramp up the production of high-grade phosphate and to execute the next stages of the project as seamlessly as possible.

The Bulk Commodities segment has implemented an internal efficiency drive with new technology, which has proven to be highly successful. These solutions will now be implemented throughout the Group to improve efficiencies and margins further. These efficiency initiatives are aimed at countering inflationary mining cost increases.

The Group has Driehoekspan and Doornpan iron ore assets to bring online once Demaneng volumes begin to reduce. This should be within the next three years. To optimise production, the Nkomati anthracite mine is in the process of opening up two opencast mine areas as well as an underground access point. Volumes are expected to ramp up and the processing plant can take on additional production.

Increased volumes from Nkomati and Jenkins, which are not exposed to international iron ore price volatility, effectively buffer the Group against potential downturns in export iron ore prices.

In the Industrial Minerals and Construction Materials segments, market and product development continue to take place in response to customer needs. Operational efficiency initiatives aimed at expanding volumes, reducing costs and developing the required skill levels across all staffing categories, remain a key focus for the Group.

The operating environment in South Africa remains challenging, but Afrimat continues to see value in its diversification strategy. The structural decline in the public sector's contribution to fixed investment and infrastructure remains a concern for the Group.

These financial statements may contain forward-looking statements that have not been reviewed nor reported on by the Company's auditors.

## Auditor's reports

These summary consolidated financial results for the year ended 28 February 2023 have been independently audited by PricewaterhouseCoopers Inc., who expressed an unmodified opinion thereon. The auditor also expressed an unmodified opinion on the annual financial statements from which these summary consolidated financial statements were derived. The audited annual financial statements and the auditor's report thereon are available for inspection at the Company's registered office and on the Company's website at *www.afrimat.co.za.*

A copy of the unmodified audit report on the summary consolidated financial statements is attached on page 6.

On behalf of the Board

**FM Louw**
*Chairman*

**AJ van Heerden**
*Chief Executive Officer*

17 May 2023

# Dividend Declaration

Notice is hereby given that a final gross dividend, No. 32 of 110,0 cents per share, in respect of the year ended 28 February 2023, was declared on Wednesday, 17 May 2023.

There are 159 718 929 shares in issue at the reporting date, of which 11 669 542 are held in treasury. The total dividend payable is R175,7 million (2022: R213,7 million).

The Board has confirmed that the solvency and liquidity test as contemplated by the Companies Act, No. 71 of 2008, has been duly considered, applied and satisfied. This is a dividend as defined in the Income Tax Act, 1962, and is payable from income reserves. The South African dividend tax rate is 20,0%. The net dividend payable to shareholders who are subject to dividend tax and shareholders who are exempt from dividend tax is 88,0 cents and 110,0 cents per share, respectively. The income tax number of the Company is 9568738158.

Relevant dates to the final dividend are as follows:

| | |
|---|---|
| Last day to trade *cum* dividend | Tuesday, 6 June 2023 |
| Commence trading *ex*-dividend | Wednesday, 7 June 2023 |
| Record date | Friday, 9 June 2023 |
| Dividend payable | Monday, 12 June 2023 |

Share certificates may not be dematerialised or rematerialised between Wednesday, 7 June 2023 and Friday, 9 June 2023, both dates inclusive.

# Independent Auditor's Report

**ON THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS**

**To the shareholders of Afrimat Limited**

## Opinion

The summary consolidated financial statements of Afrimat Limited, contained in the accompanying provisional report, which comprise the summary consolidated statement of financial position as at 28 February 2023, the summary consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended and related notes, are derived from the audited consolidated financial statements of Afrimat Limited for the year ended 28 February 2023.

In our opinion, the accompanying summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements, in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports, as set out in note 1 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

## Summary Consolidated Financial Statements

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor's report thereon.

## The Audited Consolidated Financial Statements and our report thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 17 May 2023. That report also includes communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period.

## Directors' Responsibility for the Summary Consolidated Financial Statements

The directors are responsible for the preparation of the summary consolidated financial statements in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports, set out in note 1 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

## Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing ('ISA') 810 (Revised), *Engagements to Report on Summary Financial Statements.*

PricewaterhouseCoopers Inc.

**PricewaterhouseCoopers Inc.**
**Director: D de Jager**
*Registered Auditor*

Stellenbosch, South Africa

17 May 2023

# Summary Consolidated Statement of Profit or Loss and Other Comprehensive Income

| | **Audited year ended 28 February 2023 R'000** | Audited year ended 28 February 2022 R'000 | Change % |
|---|---|---|---|
| **Revenue** | **4 908 238** | 4 680 078 | 4,9 |
| Cost of sales | **(3 208 384)** | (2 966 586) | |
| **Gross profit** | **1 699 854** | 1 713 492 | (0,8) |
| Operating expenses | **(793 931)** | (687 991) | 15,4 |
| Other income | **15 988** | 12 741 | |
| Other net gains | **42 150** | 77 811 | |
| Profit on disposal of property, plant and equipment | **2 793** | 7 904 | |
| Impairments (refer note 3) | **(3 776)** | (13 341) | |
| Movement in expected credit loss allowance* | **(1 517)** | (1 705) | |
| **Operating profit** | **961 561** | 1 108 911 | (13,3) |
| Finance income | **33 810** | 12 430 | |
| Finance costs | **(60 508)** | (55 280) | |
| Share of profit of equity-accounted investments | **–** | 257 | |
| **Profit before tax** | **934 863** | 1 066 318 | (12,3) |
| Income tax expense | **(269 382)** | (291 150) | |
| **Profit for the year** | **665 481** | 775 168 | (14,2) |
| **Profit attributable to:** | | | |
| Owners of the parent | **661 320** | 772 714 | |
| Non-controlling interests | **4 161** | 2 454 | |
| | **665 481** | 775 168 | |
| **Other comprehensive income** | | | |
| **Items that may be subsequently reclassified to profit or loss** | | | |
| Exchange differences on translation of foreign operations | **(16 005)** | (9 387) | |
| **Items that will not be reclassified to profit or loss** | | | |
| Net change in fair value of equity instruments at fair value through other comprehensive income | **192** | 393 | |
| Income tax effect relating to these items | **(17)** | (85) | |
| **Other comprehensive loss for the year, net of tax** | **(15 830)** | (9 079) | |
| **Total comprehensive income for the year** | **649 651** | 766 089 | (15,2) |
| **Total comprehensive income attributable to:** | | | |
| Owners of the parent | **645 490** | 763 635 | |
| Non-controlling interests | **4 161** | 2 454 | |
| | **649 651** | 766 089 | |
| **Earnings per share:** | | | |
| Earnings per ordinary share (cents) (refer note 6) | **457,1** | 560,7 | (18,5) |
| Diluted earnings per ordinary share (cents) (refer note 6) | **450,0** | 546,6 | (17,7) |

* *The movement in expected credit loss allowance ('ECL') has been disclosed separately on the Statement of Profit or Loss and Other Comprehensive Income, previously the movement in ECL was disclosed as part of 'operating expenses'.*

## Reconciliation of Headline Earnings

| | Audited year ended 28 February 2023 R'000 | Audited year ended 28 February 2022 R'000 | Change % |
|---|---|---|---|
| Profit attributable to owners of the parent | **661 320** | 772 714 | |
| Profit on disposal of property, plant and equipment attributable to owners of the parent | **(2 793)** | (7 904) | |
| Profit on sale of associate | **–** | (2 859) | |
| Gain on bargain purchase (refer note 13.3) | **–** | (25 628) | |
| Impairments (refer note 3) | **3 776** | 13 341 | |
| Total income tax effects of adjustments | **(275)** | (1 522) | |
| **Headline earnings** | **662 028** | 748 142 | (11,5) |
| Headline earnings per ordinary share ('HEPS') (cents) | **457,6** | 542,9 | (15,7) |
| Diluted HEPS (cents) | **450,5** | 529,2 | (14,9) |

# Summary Consolidated Statement of Financial Position

| | **Audited year ended 28 February 2023 R'000** | Audited year ended 28 February 2022 R'000 |
|---|---|---|
| **Assets** | | |
| *Non-current assets* | | |
| Property, plant and equipment (refer note 4) | **3 326 059** | 2 696 448 |
| Intangible assets | **260 252** | 213 335 |
| Other financial assets (refer note 8) | **121 565** | 91 986 |
| Deferred tax | **260 808** | 360 839 |
| Inventories* | **212 569** | – |
| **Total non-current assets** | **4 181 253** | 3 362 608 |
| *Current assets* | | |
| Inventories | **460 770** | 568 266 |
| Other financial assets (refer note 8) | **9 128** | 1 732 |
| Current tax receivable | **6 884** | 9 665 |
| Trade and other receivables (refer note 10) | **742 060** | 793 343 |
| Cash and cash equivalents | **281 037** | 290 633 |
| **Total current assets** | **1 499 879** | 1 663 639 |
| **Non-current assets held for sale** | **–** | 20 050 |
| **Total assets** | **5 681 132** | 5 046 297 |
| **Equity and liabilities** | | |
| **Equity** | | |
| Stated capital** | **939 435** | 315 886 |
| Treasury shares (refer note 5) | **(289 348)** | (109 030) |
| Net issued stated capital | **650 087** | 206 856 |
| Other reserves | **(64 611)** | (38 498) |
| Retained earnings | **3 249 771** | 2 829 609 |
| Attributable to equity holders of the parent | **3 835 247** | 2 997 967 |
| Non-controlling interests | **13 767** | 9 233 |
| **Total equity** | **3 849 014** | 3 007 200 |
| **Liabilities** | | |
| *Non-current liabilities* | | |
| Borrowings (refer note 9) | **166 328** | 149 377 |
| Other liability | **5 094** | – |
| Provisions | **290 960** | 265 252 |
| Deferred tax | **367 147** | 450 044 |
| **Total non-current liabilities** | **829 529** | 864 673 |
| *Current liabilities* | | |
| Other financial liabilities (refer note 11) | **136 590** | 7 488 |
| Borrowings (refer note 9) | **146 248** | 494 449 |
| Current tax payable | **15 881** | 6 953 |
| Trade and other payables | **703 870** | 663 729 |
| Bank overdraft | **–** | 1 805 |
| **Total current liabilities** | **1 002 589** | 1 174 424 |
| **Total liabilities** | **1 832 118** | 2 039 097 |
| **Total equity and liabilities** | **5 681 132** | 5 046 297 |

* *Inventories classified as 'non-current assets' relates to the 'raw materials: phosphate stockpiles' purchased by Afrimat Phosphates Proprietary Limited from Glenover Phosphate Proprietary Limited. The company is in the process of ramping up its operation for the processing of these stockpiles and therefore this has been classified as non-current.*

** *During the year an equity raise of R680,0 million, through the issue of new ordinary shares, was performed on 28 July 2022.*

# Summary Consolidated Statement of Cash Flows

| | Audited year ended 28 February 2023 R'000 | Audited year ended 28 February 2022 R'000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Cash generated from operations | **1 262 186** | 1 076 666 |
| Finance income received | **32 610** | 11 726 |
| Dividends received | **–** | 98 |
| Finance costs paid | **(41 704)** | (40 015) |
| Tax paid | **(265 773)** | (311 920) |
| **Net cash inflow from operating activities** | **987 319** | 736 555 |
| **Cash flows from investing activities** | | |
| Acquisition of property, plant and equipment (refer note 4) | **(810 610)** | (598 687) |
| Proceeds on disposal of property, plant and equipment | **20 670** | 26 049 |
| Proceeds on disposal of non-current assets held for sale | **23 340** | – |
| Acquisition of businesses (refer note 13.1, 13.2 and 13.3) | **(28 650)** | (14 750) |
| Acquisition of surface rights | **–** | (5 145) |
| Purchase of other financial assets | **(35 932)** | (12 582) |
| Repayments from other financial assets | **10 990** | 3 823 |
| **Net cash outflow from investing activities** | **(820 192)** | (601 292) |
| **Cash flows from financing activities** | | |
| Repurchase of Afrimat shares (refer note 5) | **(214 534)** | (16 400) |
| Proceeds from equity raise* | **680 000** | – |
| Proceeds from borrowings (refer note 9.2) | **75 453** | 880 998 |
| Repayment of borrowings (refer note 9.2) | **(560 508)** | (918 120) |
| Capital elements of lease payments (refer note 9.2) | **(7 018)** | (13 750) |
| Proceeds from other financial liabilities (refer note 11) | **120 000** | – |
| Repayments of other financial liabilities | **(394)** | (1 355) |
| Acquisition of additional non-controlling interest | **–** | (134) |
| Dividends paid (refer note 15.2) | **(267 917)** | (214 927) |
| **Net cash outflow from financing activities** | **(174 918)** | (283 688) |
| Net decrease in cash, cash equivalents and bank overdrafts | **(7 791)** | (148 425) |
| Cash, cash equivalents and bank overdrafts at the beginning of the year | **288 828** | 437 253 |
| **Cash, cash equivalents and bank overdrafts at the end of the year** | **281 037** | 288 828 |

* *The issue of Afrimat shares relates to the launch of an equity raise of R680,0 million, through the issue of new ordinary shares, performed on 28 July 2022.*

# Summary Consolidated Statement of Changes in Equity

| | Stated capital R'000 | Treasury shares R'000 | Other reserves R'000 | Retained earnings R'000 | Non-controlling interests R'000 | Total equity R'000 |
|---|---|---|---|---|---|---|
| **Balance at 1 March 2021** | 345 894 | (115 795) | (62 980) | 2 255 536 | 8 362 | 2 431 017 |
| **Total comprehensive income** | | | | | | |
| Profit for the year | – | – | – | 772 714 | 2 454 | 775 168 |
| Other comprehensive loss for the year | – | – | (9 079) | – | – | (9 079) |
| Net change in fair value of equity instruments at fair value through other comprehensive income | – | – | 393 | – | – | 393 |
| Income tax effect | – | – | (85) | – | – | (85) |
| Exchange differences on translation of foreign operations | – | – | (9 387) | – | – | (9 387) |
| **Total comprehensive (loss) income** | – | – | (9 079) | 772 714 | 2 454 | 766 089 |
| **Transactions with owners of the parent** | | | | | | |
| **Contributions and distributions** | | | | | | |
| Share-based payment expense for the year | – | – | 29 664 | – | – | 29 664 |
| Deferred tax on share-based payments | – | – | 21 818 | – | – | 21 818 |
| Purchase of treasury shares (refer note 5) | – | (16 400) | – | – | – | (16 400) |
| Issue of stated capital | 11 000 | – | – | – | – | 11 000 |
| Settlement of employee Share Appreciation Rights exercised, Forfeitable Share Plan vested and reserve transfer, net of tax | (41 008) | 23 165 | (17 921) | 17 921 | – | (17 843) |
| Dividends paid (refer note 15.2) | – | – | – | (213 539) | (1 388) | (214 927) |
| **Total contributions and distributions** | (30 008) | 6 765 | 33 561 | (195 618) | (1 388) | (186 688) |
| **Additional non-controlling interest acquired due to:** | | | | | | |
| – Capmat Proprietary Limited | – | – | – | (3 023) | (195) | (3 218) |
| **Total changes in ownership interests** | – | – | – | (3 023) | (195) | (3 218) |
| **Total transactions with owners of parent** | (30 008) | 6 765 | 33 561 | (198 641) | (1 583) | (189 906) |
| **Balance at 28 February 2022** | 315 886 | (109 030) | (38 498) | 2 829 609 | 9 233 | 3 007 200 |

| | Stated capital R'000 | Treasury shares R'000 | Other reserves R'000 | Retained earnings R'000 | Non-controlling interests R'000 | Total equity R'000 |
|---|---|---|---|---|---|---|
| **Balance at 1 March 2022** | 315 886 | (109 030) | (38 498) | 2 829 609 | 9 233 | 3 007 200 |
| **Total comprehensive income** | | | | | | |
| Profit for the year | – | – | – | 661 320 | 4 161 | 665 481 |
| Other comprehensive loss for the year | – | – | (15 830) | – | – | (15 830) |
| Net change in fair value of equity instruments at fair value through other comprehensive income | – | – | 192 | – | – | 192 |
| Income tax effect | – | – | (17) | – | – | (17) |
| Exchange differences on translation of foreign operations | – | – | (16 005) | – | – | (16 005) |
| **Total comprehensive (loss) income** | – | – | (15 830) | 661 320 | 4 161 | 649 651 |
| **Transactions with owners of the parent** | | | | | | |
| **Contributions and distributions** | | | | | | |
| Share-based payment expense for the year | – | – | 29 291 | – | – | 29 291 |
| Deferred tax on share-based payments | – | – | (14 465) | – | – | (14 465) |
| Purchase of treasury shares (refer note 5) | – | (214 534) | – | – | – | (214 534) |
| Issue of stated capital | 680 000 | – | – | – | – | 680 000 |
| Settlement of employee Share Appreciation Rights exercised, Forfeitable Share Plan vested and reserve transfer, net of tax | (56 451) | 34 216 | (25 109) | 25 109 | – | (22 235) |
| Dividends paid (refer note 15.2) | – | – | – | (266 267) | (1 650) | (267 917) |
| **Total contributions and distributions** | 623 549 | (180 318) | (10 283) | (241 158) | (1 650) | 190 140 |
| **Additional non-controlling interest acquired through acquisition of businesses:** | | | | | | |
| – Stony Lime Proprietary Limited (refer note 13.1) | – | – | – | – | 478 | 478 |
| – Eckraal Quarries Proprietary Limited (refer note 13.2) | – | – | – | – | 1 545 | 1 545 |
| **Total changes in ownership interests** | – | – | – | – | 2 023 | 2 023 |
| **Total transactions with owners of parent** | 623 549 | (180 318) | (10 283) | (241 158) | 373 | 192 163 |
| **Balance at 28 February 2023** | 939 435 | (289 348) | (64 611) | 3 249 771 | 13 767 | 3 849 014 |
| Note | | 5 | | | | |

# Notes

## 1. Basis of preparation

The summary consolidated financial statements ('financial statements') are prepared in accordance with the requirements of the JSE Limited ('JSE') Listings Requirements for provisional reports, and the requirements of the Companies Act. The Listings Requirements require provisional reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ('IFRS') and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34: *Interim Financial Reporting*. The accounting policies applied in the preparation of the consolidated financial statements from which the summary consolidated financial statements were derived are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements for the year ended 28 February 2022.

The financial statements have been prepared under the supervision of the Chief Financial Officer ('CFO'), PGS de Wit CA(SA).

## 2. Segment information

The segments of the Group have been identified by business segment. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors. Aggregation of segments has been determined on the basis of product outputs with similar attributes; by considering the nature of products and services, production processes and the type of class of customer for the products and services.

There are five main operational segments based on the market use of products. Future Materials and Metals is the latest addition to the Group's operational segments, which was formed through the acquisition of the stockpiles containing phosphate and rare earth elements; and the subordinate Vermiculite Mining Right, and serves a different market to the existing operational segments.

The principal services and products of each of these segments are as follows:

- Construction Materials: Comprises aggregates and concrete-based products;
- Industrial Minerals: Comprises limestone, dolomite and industrial sand;
- Bulk Commodities: Comprises iron ore and anthracite;
- Future Materials and Metals: Comprises phosphate; and
- Services: Comprises Group shared services including IT services, consulting services, external logistical and mining services.

| | Change % | **Audited year ended 28 February 2023 R'000** | Restated audited year ended 28 February 2022 R'000* |
|---|---|---|---|
| **Revenue** | | | |
| **External revenue** | | | |
| Construction Materials | 3,3 | **1 809 333** | 1 751 942 |
| Industrial Minerals | 17,5 | **553 889** | 471 560 |
| Bulk Commodities | 3,0 | **2 480 355** | 2 408 710 |
| – *Demaneng Mine* | | **1 034 560** | 1 487 559 |
| – *Nkomati Anthracite Mine* | | **573 668** | 364 052 |
| – *Jenkins Mine* | | **872 127** | 557 099 |
| Future Materials and Metals | 750,7 | **25 215** | 2 964 |
| Services | (12,2) | **39 446** | 44 902 |
| | 4,9 | **4 908 238** | 4 680 078 |
| **Inter-segmental revenue** | | | |
| Construction Materials | | **55 897** | 17 847 |
| Industrial Minerals | | **6 210** | 2 768 |
| Bulk Commodities | | **–** | – |
| Future Materials and Metals | | **–** | 818 |
| Services | | **396 752** | 293 819 |
| | | **458 859** | 315 252 |

| | Change % | Audited year ended 28 February 2023 R'000 | Restated audited year ended 28 February 2022 R'000* |
|---|---|---|---|
| **2. Segment information** (continued) | | | |
| **Total revenue** | | | |
| Construction Materials | | **1 865 230** | 1 769 789 |
| Industrial Minerals | | **560 099** | 474 328 |
| Bulk Commodities | | **2 480 355** | 2 408 710 |
| *– Demaneng Mine* | | **1 034 560** | 1 487 559 |
| *– Nkomati Anthracite Mine* | | **573 668** | 364 052 |
| *– Jenkins Mine* | | **872 127** | 557 099 |
| Future Materials and Metals | | **25 215** | 3 782 |
| Services | | **436 198** | 338 721 |
| | | **5 367 097** | 4 995 330 |
| **Operating profit** | | | |
| Construction Materials | (17,7) | **129 603** | 157 524 |
| Industrial Minerals | (41,9) | **49 387** | 84 946 |
| Bulk Commodities | (8,4) | **787 653** | 859 922 |
| *– Demaneng Mine* | | **369 321** | 644 533 |
| *– Nkomati Anthracite Mine* | | **19 754** | (49 431) |
| *– Jenkins Mine* | | **398 578** | 264 820 |
| Future Materials and Metals | (426,1) | **(11 437)** | (2 174) |
| Services | (26,9) | **6 355** | 8 693 |
| | (13,3) | **961 561** | 1 108 911 |
| **Operating profit margin on external revenue (%)** | | | |
| Construction Materials | | **7,2** | 9,0 |
| Industrial Minerals | | **8,9** | 18,0 |
| Bulk Commodities | | **31,8** | 35,7 |
| Future Materials and Metals | | **(45,4)** | (73,3) |
| Overall contribution | | **19,6** | 23,7 |
| **Other information** | | | |
| **Assets** | | | |
| Construction Materials | | **1 273 729** | 1 192 325 |
| Industrial Minerals | | **621 007** | 612 113 |
| Bulk Commodities | | **2 389 604** | 1 926 273 |
| Future Materials and Metals | | **369 683** | 261 042 |
| Services | | **1 027 109** | 1 054 544 |
| | | **5 681 132** | 5 046 297 |
| **Liabilities** | | | |
| Construction Materials | | **383 486** | 418 825 |
| Industrial Minerals | | **59 901** | 87 464 |
| Bulk Commodities | | **432 539** | 258 315 |
| Future Materials and Metals | | **2 877** | 2 111 |
| Services | | **953 315** | 1 272 382 |
| | | **1 832 118** | 2 039 097 |
| **Depreciation and amortisation** | | | |
| Construction Materials | | **97 993** | 114 755 |
| Industrial Minerals | | **24 850** | 35 453 |
| Bulk Commodities | | **184 588** | 130 617 |
| Future Materials and Metals | | **3 579** | 147 |
| Services | | **49 670** | 15 851 |
| | | **360 680** | 296 823 |

## 2. Segment information (continued)

| | Audited year ended 28 February 2023 R'000 | Restated audited year ended 28 February 2022 R'000* |
|---|---|---|
| **Capital expenditure (excluding acquisitions through business combinations)** | | |
| Construction Materials | **108 969** | 166 210 |
| Industrial Minerals | **41 851** | 31 357 |
| Bulk Commodities** | **654 766** | 524 389 |
| Future Materials and Metals*** | **123 244** | 9 689 |
| Services | **34 263** | 50 801 |
| | **963 093** | 782 446 |

* *During the year the Group reallocated various businesses within the operational segments in order to report in a manner consistent with the internal reporting provided to the chief operating decision-maker. These reallocations were due to an internal restructure performed during the year.*

** *The increase in capital expenditure relates to the development of the underground and opencast mine at Nkomati and further mine development at the Demaneng mine, refer note 4 for further details.*

*** *Capital expenditure incurred relates to the acquisition of the subordinated Vermiculite Mining Right, R34,9 million, as well as the site establishment costs, R68,5 million, refer note 4 for further details.*

## 3. Impairments

| | Audited year ended 28 February 2023 R'000 | Audited year ended 28 February 2022 R'000 |
|---|---|---|
| Impairment of property, plant and equipment | **3 776** | 13 341 |

During the previous year, an attack by non-state armed groups occurred in the Palma District, Cabo Delgado province, Mozambique. As a result, Afrimat immediately withdrew all expats, repatriated them to South Africa and declared *force majeure*. An impairment of R9,7 million was recognised in respect of property, plant and equipment, which could not be recovered and no longer had economic value. During the current year a further impairment of R3,8 million was recognised.

In the prior year, an impairment loss of R3,6 million was recognised, relating to property, plant and equipment which had no further economic value and has been removed from the register. R3,2 million relates to items written off at Afrimat Marble Hall Proprietary Limited (previously known as Lyttelton Dolomite Proprietary Limited).

## 4. Property, plant and equipment

| | Opening carrying value R'000 | Additions R'000 | Additions through business combinations (refer note 13.1 and 13.2) R'000 | Reclassification R'000 | Disposals R'000 | Depreciation R'000 | Impairment R'000 | Closing carrying value R'000 |
|---|---|---|---|---|---|---|---|---|
| **Audited year ended 28 February 2023** | | | | | | | | |
| Land and buildings | **114 993** | **16 007** | **–** | **–** | **(260)** | **(4 298)** | **–** | **126 442** |
| Leasehold property | **13 280** | **2 625** | **–** | **–** | **–** | **(3 760)** | **–** | **12 145** |
| Plant and machinery | **924 021** | **260 157** | **17 836** | **2 714** | **(1 873)** | **(105 569)** | **–** | **1 097 286** |
| Motor vehicles | **507 108** | **163 208** | **1 451** | **(2 714)** | **(19 239)** | **(81 994)** | **(3 776)** | **564 044** |
| Office and computer equipment | **13 092** | **10 807** | **98** | **–** | **(39)** | **(8 311)** | **–** | **15 647** |
| Dismantling costs | **13 270** | **1 682** | **–** | **–** | **(52)** | **(1 131)** | **–** | **13 769** |
| Mining assets | **997 471** | **485 488** | **32 150** | **–** | **–** | **(59 806)** | **–** | **1 455 303** |
| Stripping assets | **84 660** | **17 997** | **–** | **–** | **–** | **(87 529)** | **–** | **15 128** |
| Right-of-use assets | **28 553** | **5 122** | **–** | **–** | **(963)** | **(6 417)** | **–** | **26 295** |
| **Total** | **2 696 448** | **963 093** | **51 535** | **–** | **(22 426)** | **(358 815)** | **(3 776)** | **3 326 059** |
| **Audited year ended 28 February 2022** | | | | | | | | |
| Land and buildings | 104 677 | 20 559 | – | (2 500) | (4 513) | (3 296) | 66 | 114 993 |
| Leasehold property | 16 347 | 670 | – | – | (16) | (3 721) | – | 13 280 |
| Plant and machinery | 801 581 | 226 563 | – | 87 | (3 949) | (91 541) | (8 720) | 924 021 |
| Motor vehicles | 475 374 | 123 713 | – | (87) | (9 350) | (77 855) | (4 687) | 507 108 |
| Office and computer equipment | 9 851 | 9 751 | – | – | (302) | (6 208) | – | 13 092 |
| Dismantling costs | 15 766 | 1 783 | – | – | (4 358) | 79 | – | 13 270 |
| Mining assets | 727 308 | 343 015 | – | – | – | (72 852) | – | 997 471 |
| Stripping assets | 61 738 | 47 919 | – | – | – | (24 997) | – | 84 660 |
| Right-of-use assets | 34 851 | 8 473 | – | – | (15) | (14 756) | – | 28 553 |
| **Total** | 2 247 493 | 782 446 | – | (2 500) | (22 503) | (295 147) | (13 341) | 2 696 448 |

The increase in 'Plant and machinery' relates to site establishment costs and plant upgrades (including solar plant projects) performed at the various businesses. Capital expenditure includes: Jenkins iron ore mine R60,1 million, Nkomati Anthracite Proprietary Limited R22,3 million, Cape Lime Proprietary Limited R21,6 million, Glen Douglas Dolomite Proprietary Limited R37,9 million and Afrimat Phosphates (previously known as Delf Sand) Proprietary Limited R68,5 million.

The increase in 'Mining assets' relates to a total capital expenditure of R347,9 million on the opening of two opencast pits and work performed on the opening of the underground mine of Nkomati, R102,7 million for further mine development at the Demaneng mine and R34,9 million for the acquisition of the subordinate Vermiculite Mining Right.

| | Number of shares: Audited year ended 28 February 2023 | Number of shares: Audited year ended 28 February 2022 | Audited year ended 28 February 2023 R'000 | Audited year ended 28 February 2022 R'000 |
|---|---|---|---|---|
| **5. Treasury shares** | | | | |
| Opening balance | **8 200 736** | 8 545 257 | **(109 030)** | (115 795) |
| Utilised for Share Appreciation Rights exercised | **(430 850)** | (421 276) | **18 542** | 14 499 |
| Utilised for settlement of employee Forfeitable Share Plan shares vested | **(482 400)** | (292 500) | **15 674** | 8 666 |
| Purchased during the year | **4 382 056** | 369 255 | **(214 534)** | (16 400) |
| **Closing balance** | **11 669 542** | 8 200 736 | **(289 348)** | (109 030) |

The Afrimat BEE Trust (indirectly through AEI) holds, on an unencumbered basis, 6 830 894 (2022: 6 725 244) shares amounting to R68,1 million (2022: R62,7 million) representing 4,3% (2022: 4,6%) of the issued share capital of the Company.

Afrimat Management Services Proprietary Limited ('AMS') shareholding is as follows:

- 911 650 (2022: 1 066 850) shares, as nominee for the absolute benefit of the participants of the Company's Forfeitable Share Plan ('FSP') amounting to R30,3 million (2022: R31,7 million);
- 826 998 (2022: 408 642) shares held in AMS are held for the purposes of the Company's Share Appreciation Rights scheme ('SAR') amounting to R42,4 million (2022: R14,6 million);
- 3 100 000 shares for the partial settlement for the Glenover acquisition amounting to R148,5 million (refer note 16).

| | Audited year ended 28 February 2023 | Audited year ended 28 February 2022 |
|---|---|---|
| **6. Earnings per share** | | |
| **Number of shares in issue** | | |
| Total shares in issue | **159 718 929** | 146 346 264 |
| Treasury shares (refer note 5) | **(11 669 542)** | (8 200 736) |
| **Net shares in issue** | **148 049 387** | 138 145 528 |
| Weighted average number of net shares in issue | **144 687 291** | 137 803 118 |
| Diluted weighted average number of shares | **146 948 943** | 141 358 819 |
| Profit attributable to ordinary shareholders (R'000) | **661 320** | 772 714 |
| Earnings per ordinary share (cents) | **457,1** | 560,7 |
| Diluted earnings per ordinary share (cents) | **450,0** | 546,6 |

During the year an equity raise of R680,0 million, through the issue of 13 372 665 new ordinary shares at R50,85 per share, was performed on 28 July 2022. These shares were issued under the Company's general authority to issue new shares for cash.

| | Audited year ended 28 February 2023 | Audited year ended 28 February 2022 |
|---|---|---|
| **7. Financial position ratios** | | |
| **7.1 Net asset value ('NAV') per share** | | |
| **Number of shares in issue** | | |
| Total shares in issue | **159 718 929** | 146 346 264 |
| Treasury shares (refer note 5) | **(11 669 542)** | (8 200 736) |
| **Net shares in issue** | **148 049 387** | 138 145 528 |
| Shareholders' funds attributable to owners of the parent (R'000) | **3 835 247** | 2 997 967 |
| **Total NAV per share (cents)** | **2 591** | 2 170 |
| **7.2 Tangible net asset value ('TNAV') per share** | | |
| Shareholders' funds attributable to owners of the parent (R'000) | **3 835 247** | 2 997 967 |
| Intangible assets and goodwill (R'000) | **(260 252)** | (213 335) |
| **Total TNAV (R'000)** | **3 574 995** | 2 784 632 |
| **Total TNAV per share (cents)** | **2 415** | 2 016 |
| **7.3 Net debt:equity** | | |
| Total borrowings and other financial liabilities (R'000) | **449 166** | 651 314 |
| Net cash (R'000) | **(281 037)** | (288 828) |
| Net debt (R'000) | **168 129** | 362 486 |
| **Net debt:equity ratio (%)** | **4,4** | 12,1 |

| | Audited year ended 28 February 2023 R'000 | Audited year ended 28 February 2022 R'000 |
|---|---|---|
| **8. Other financial assets** | | |
| Financial assets at fair value through other comprehensive income | **3 634** | 3 439 |
| Financial assets at fair value through profit or loss | **86 811** | 70 329 |
| Financial assets at amortised cost | **40 248** | 19 950 |
| | **130 693** | 93 718 |
| Non-current other financial assets | **121 565** | 91 986 |
| Current other financial assets | **9 128** | 1 732 |
| | **130 693** | 93 718 |

Refer note 14 for fair value disclosure of other financial assets.

Financial assets at fair value through profit or loss consists of a Centriq Mining Rehabilitation Guarantee Insurance Policy R55,9 million (2022: R50,9 million) to rehabilitate the environment after mining operations are completed at the Lyttelton, Marble Hall, Demaneng and Delf mining sites and a Guardrisk investment R25,2 million (2022: R18,7 million) which was acquired as part of the Nkomati acquisition for the environmental rehabilitation costs of the Nkomati mine.

Financial assets at amortised cost consist mainly of enterprise and supplier development loans of R36,5 million (2022: R19,9 million) and other financial assets of R3,7 million (2022: RNil).

As part of Afrimat's commitment to achieve sustainable growth and having an impact on the communities we operate in, the Group provides local enterprise and supplier development loans to local qualifying enterprises. The majority of these loans have been provided by Afrimat Iron Ore Proprietary Limited to local qualifying enterprises. The loans bear no interest and are repayable between 10 and 48 monthly instalments.

| | | Audited year ended 28 February 2023 R'000 | Audited year ended 28 February 2022 R'000 |
|---|---|---|---|
| **9.** | **Borrowings** | | |
| **9.1** | **Capital net movement** | | |
| | Opening balance | **643 826** | 513 901 |
| | New borrowings | **236 276** | 1 282 974 |
| | Finance cost | **3 667** | (1 179) |
| | Repayments | **(571 193)** | (1 151 870) |
| | **Closing balance** | **312 576** | 643 826 |
| | *Analysis as per Statement of Financial Position:* | | |
| | Borrowings non-current | **166 328** | 149 377 |
| | Borrowings current | **146 248** | 494 449 |
| | | **312 576** | 643 826 |
| **9.2** | **Analysis as per Statement of Cash Flows** | | |
| | Total opening balance borrowings | **643 826** | 513 901 |
| | Borrowings raised | **75 453** | 880 998 |
| | Borrowings raised – non-cash | **160 823** | 401 976 |
| | Medium-term loans | **4 872** | 220 000 |
| | Instalment sale agreements | **145 679** | 173 503 |
| | Additions through business combinations (refer note 13.1 and 13.2) | **6 356** | – |
| | Lease liabilities | **3 916** | 8 473 |
| | Repayments | **(567 526)** | (931 870) |
| | Instalment sale agreements and medium-term loan | **(560 508)** | (918 120) |
| | Lease liabilities | **(7 018)** | (13 750) |
| | Repayments – non-cash | **–** | (221 179) |
| | Medium-term loans* | **–** | (220 000) |
| | Lease liabilities | **–** | (1 179) |
| | **Total closing balance borrowings** | **312 576** | 643 826 |

* *In the prior year, the utilised facility of R220,0 million was settled through the new R500,0 million revolving credit facility obtained by the Group, therefore reflected as a non-cash movement.*

In the prior year, the Group acquired a R500,0 million revolving credit facility with Standard Bank of South Africa ('SBSA') and ABSA Group Limited ('ABSA'). The utilised portion was RNil as at 28 February 2023 (2022: R350,0 million). This amount was repaid and the facility was reduced to R100,0 million during the current year. The facility bears interest at the three-month Jibar overnight deposit rate plus 1,7%, payable quarterly in arrears.

In the current year, the Group repaid its $4,0 million revolving credit facility with Standard Bank (Mauritius) Limited. The facility bore interest at Libor plus 2,6% (2022: Libor plus 2,6%) payable quarterly and was available until February 2023.

On 16 January 2023, the Group acquired a $5,0 million revolving credit facility with Absa Bank (Mauritius) Limited. The utilised portion of the facility was $1,1 million as at 28 February 2023. The facility bears interest at the daily Secured Overnight Financing Rate ('SOFR'), compounded monthly, plus a margin of 2,5%.

## 10. Trade and other receivables

| | Audited year ended 28 February 2023 R'000 | Audited year ended 28 February 2022 R'000 |
|---|---|---|
| Trade receivables – net | **428 426** | 427 387 |
| Trade receivables at fair value through profit or loss | **160 355** | 142 362 |
| Provision for final price adjustment | **35 990** | 122 967 |
| Other | **117 289** | 100 627 |
| **Total trade and other receivables** | **742 060** | 793 343 |

The provision for final price adjustment relates to the customer in Afrimat Iron Ore Proprietary Limited, Kumba International Trading S.A.R.L ('Kumba'). In terms of the agreement, commodity prices used in the invoice issued at revenue recognition date (i.e. the designated point of delivery (FOB)) are based on the average daily prices with reference to the IODEX for the prior month. A final price adjustment is made, three months following revenue recognition based on the average market price of the third-month period.

The amount of revenue recognised is based on the best estimate of the amount expected to be received and therefore a monthly provision for the final price adjustment is recognised, based on the relevant forward looking iron ore prices.

Extract of forward looking variables applicable on 28 February 2023:

| | February 2023 | January 2023 | December 2022 |
|---|---|---|---|
| | Three-month/ spot | Two-month/ spot | One-month/ spot |
| Average actual iron ore price invoiced at FOB (US$) | **107** | 96 | 85 |
| Iron ore forward price at FOB (US$) | **108** | 111 | 117 |
| Sales volume (tonnes) | **67 800** | 79 193 | 22 677 |

Refer note 14 for further details on fair value methodology.

## 11. Other financial liabilities

| | Audited year ended 28 February 2023 R'000 | Audited year ended 28 February 2022 R'000 |
|---|---|---|
| Glencore Operations South Africa Proprietary Limited | **120 000** | – |
| Net capital proceeds owing to Afrimat BEE Trust participants | **6 960** | 7 488 |
| Other financial liabilities | **4 752** | – |
| Acquired through business combination (refer note 13.1 and 13.2) | **4 878** | – |
| | **136 590** | 7 488 |

A loan agreement was entered into between Glencore Operations South Africa Proprietary Limited ('Glencore') and Nkomati Anthracite Proprietary Limited ('Nkomati'), whereby Glencore advanced R120,0 million to Nkomati. The loan is interest free and repayable in four equal instalments of R30,0 million on 1 May 2023, June 2023, July 2023 and August 2023. This loan is secured by a guarantee issued to Glencore to the amount of R120,0 million by First National Bank ('FNB'), refer note 18.

| | Audited year ended 28 February 2023 R'000 | Audited year ended 28 February 2022 R'000 |
|---|---|---|
| **12. Authorised capital expenditure** | | |
| **Contracted after year-end, but not provided for** | | |
| Property, plant and equipment | **18 511** | 46 961 |
| **Not yet contracted for** | | |
| Property, plant and equipment | **237 339** | 153 017 |
| **Total authorised capital expenditure** | **255 850** | 199 978 |

Authorised capital expenditure is to be funded from surplus cash and bank financing.

## 13. Business combinations

**Acquisition of businesses**

### 13.1 Agri Lime Proprietary Limited

On 12 November 2021, Afrimat entered into an agreement to acquire 100,0% of the shares in Agri Lime Proprietary Limited and 74,0% of the shares in Stony Lime Proprietary Limited (collectively 'Agri Lime') for a purchase consideration of R38,0 million. The opencast mine and plant are located close to the town of Northam in Limpopo.

All conditions precedent were met to acquire 100,0% of the shares in Agri Lime Proprietary Limited and the acquisition became effective from 13 May 2022.

The acquisition of 74,0% of the shares in Stony Lime Proprietary Limited is subject to the fulfilment of the following outstanding conditions precedent ('Conditions Precedent'):

- Ministerial consent is obtained, in writing, either unconditionally or free from any onerous terms.

The Group entered into a contract mining agreement with Kalaka Mining Proprietary Limited (holder of the mining right), allowing the Group to undertake mining operations under the mining area in respect of which the mining right has been granted. Effective management and control of the mining operations (Stony Lime Proprietary Limited) through its appointment as mining contractor in terms of the contract mining agreement and asset lease agreement was obtained by the Group effectively from 13 May 2022. The Group has full operational and financial control.

**Details of the purchase consideration are as follows:**

| | Total 2023 R'000 |
|---|---|
| Cash paid | **33 500** |
| Consideration payable* | **4 500** |
| **Total purchase consideration** | **38 000** |

* *Consideration payable is attributed as follows and becomes payable once all conditions precedent have been met:*
*– R4,5 million for 74,0% of the shares in Stony Lime Proprietary Limited.*

## 13. Business combinations (continued)

**Acquisition of businesses** (continued)

### 13.1 Agri Lime Proprietary Limited (continued)

**Provisional details of the acquisition are as follows:**

| | Total 2023 R'000 |
|---|---|
| **Carrying amount/fair value of net liabilities acquired – Agri Lime** | |
| Property, plant and equipment | 8 767 |
| Deferred tax asset | 546 |
| Trade and other receivables | 11 157 |
| Other financial liability | (1 269) |
| Borrowings | (5 404) |
| Current tax payable | (250) |
| Trade and other payables | (19 571) |
| Cash and cash equivalents | 4 400 |
| **Net liabilities – Agri Lime** | **(1 624)** |
| *Less:* Non-controlling interests | (478) |
| Goodwill | 40 102 |
| **Total purchase consideration** | **38 000** |
| Pro forma revenue assuming the business combination for the full year | 154 832 |
| Pro forma loss after tax assuming the business combination for the full year | (11 047) |
| Revenue included in results | 131 894 |
| Loss after tax included in results | (3 778) |
| Acquisition cost included in 'operating expenses' for the year | 1 000 |
| **Analysis as per Statement of Cash Flows:** | |
| Total consideration (fair value) | (38 000) |
| Consideration payable | 4 500 |
| Cash and cash equivalents | 4 400 |
| **Cash outflow** | **(29 100)** |

The goodwill acquired in Agri Lime is attributable to the feedlime and agrilime market share, which is expected to expand the Group's current national footprint as well as include diversity with the access to minerals that will expand the product offering within the Industrial Minerals segment.

*Non-controlling interest:*
The Group had chosen to recognise the non-controlling interest at its proportionate share.

## 13. Business combinations (continued)

**Acquisition of businesses** (continued)

### 13.2 Eckraal Quarries Proprietary Limited ('Eckraal Quarries')

On 30 January 2023, Afrimat entered into an agreement to acquire 84,0% of the shares in Eckraal Quarries Proprietary Limited and the Ready-Mix Plant for a purchase consideration of R21,0 million. The opencast mine and plant are located in Pretoria.

Eckraal Quarries holds 100,0% of the shares in Eckraal Bricks and Ready-Mix Proprietary Limited ('Eckraal BRM').

The following condition precedent had not been met at the reporting date:
- on or before 29 February 2024, the consent of the Minister for Section 11 application is granted.

The Group entered into an agreement with Eckraal Quarries, allowing the Group to undertake all activities in conducting the operations of Eckraal Quarries during the interim period, including but not limited to mining, processing, logistics, marketing and selling. Effective management and control of the operations through its appointment as contractor in terms of the agreement was obtained by the Group effectively from 31 January 2023.

**Details of the purchase consideration are as follows:**

| | Total 2023 R'000 |
|---|---|
| Cash paid | – |
| Consideration payable* | 21 000 |
| **Total purchase consideration** | **21 000** |

* *Consideration payable becomes payable once all conditions precedent have been met:*
*– R15,0 million shall be settled in cash; and*
*– R6,0 million shall be settled in Afrimat Limited shares.*

**Provisional details of the acquisition are as follows:**

| | Total 2023 R'000 |
|---|---|
| **Carrying amount/fair value of net assets acquired – Eckraal Quarries** | |
| Property, plant and equipment | 42 768 |
| Other financial assets | 5 421 |
| Inventories | 2 798 |
| Trade and other receivables | 2 099 |
| Cash and cash equivalents | 450 |
| Borrowings | (952) |
| Other financial liability | (3 609) |
| Provisions | (5 267) |
| Current tax payable | (5 072) |
| Trade and other payables | (18 795) |
| Deferred tax liability | (5 976) |
| **Net assets – Eckraal Quarries** | **13 865** |
| *Less:* Non-controlling interests | (1 545) |
| Goodwill | 8 680 |
| **Total purchase consideration** | **21 000** |
| Pro forma revenue assuming the business combination for the full year | 64 117 |
| Pro forma loss after tax assuming the business combination for the full year | (10 552) |
| Revenue included in results | – |
| Loss after tax included in results | – |
| Acquisition cost included in 'operating expenses' for the year | – |
| **Analysis as per Statement of Cash Flows:** | |
| Total consideration (fair value) | (21 000) |
| Consideration payable | 21 000 |
| Cash and cash equivalents | 450 |
| **Cash inflow** | **450** |

The goodwill acquired in Eckraal Quarries is attributable to the market share the business has in the industry, which is expected to expand the Group's current national footprint within the Construction Materials segment.

*Non-controlling interest:*
The Group had chosen to recognise the non-controlling interest at its proportionate share.

## 13. Business combinations (continued)

**Acquisition of businesses** (continued)

### 13.3 JEF Drill and Blast Proprietary Limited ('JEF')

In the prior year, the Group acquired 100,0% of the issued shares of JEF Drill and Blast Proprietary Limited, which was subsequently renamed to Afrimat Mining Services Proprietary Limited ('Afrimat Mining Services'). The transaction was done by way of a Sale of Shares agreement for a consideration of R1, as well as a cession agreement with the creditors of the company to purchase the remaining balance owing, for an additional consideration of R14,8 million.

The company was placed in business rescue effective 1 February 2021. As part of the business rescue process a business rescue plan ('Plan') was developed to which Afrimat provided the business rescue practitioner ('BRP') with its proposal to rescue the company. The Plan was approved by the requisite creditors and shareholders on 14 June 2021.

On 23 June 2021, all conditions precedent were fulfilled and the agreement became unconditional.

**Details of the acquisition are as follows:**

| | Total 2022 R'000 |
|---|---|
| **Carrying amount/fair value of net assets acquired – Afrimat Mining Services** | |
| Non-current assets held for sale | 17 550 |
| Deferred tax asset | 21 057 |
| Trade and other receivables | 1 771 |
| Trade and other payables | (14 750) |
| **Net assets – Afrimat Mining Services** | 25 628 |
| Total consideration (fair value) | – |
| Gain on bargain purchase | (25 628) |
| **Total net assets acquired** | – |
| Pro forma revenue assuming the business combination for the full year | 34 771 |
| Pro forma loss after tax assuming the business combination for the full year | (8 063) |
| Revenue included in results | 34 771 |
| Loss after tax included in results | (404) |
| Acquisition cost (including business rescue cost) included in 'operating expenses' for the year | – |
| **Analysis as per Statement of Cash Flows:** | |
| Total consideration (fair value) | – |
| Trade and other payables | (14 750) |
| **Cash outflow** | (14 750) |

The gain on bargain purchase realised in Afrimat Mining Services is due to the business being bought out of business rescue and the fact that the entity was loss making at the time the acquisition occurred. The Group identified an opportunity to expand its contracting operations through this acquisition. In the prior year this operation was reflected within the Construction Materials segment, but has subsequently been reallocated to the Services segment, as this business operation relates mainly to services rendered.

A deferred tax asset of R21,0 million has been raised on this acquisition. Afrimat Mining Services is generating taxable income and therefore has started utilising the assessed loss carried forward. The Group concludes that the deferred tax asset will be recoverable.

## 13. Business combinations (continued)

**Acquisition of assets**

### 13.4 Coza Mining Proprietary Limited ('Coza')

As per the SENS announcement published on 17 August 2020, the Company entered into a Sale of Shares agreement ('Coza Agreement'), in terms of which the Company agreed to purchase 100,0% of the issued ordinary shares of Coza Mining Proprietary Limited ('Coza') ('Assets'), with operations in South Africa, for a purchase consideration of R307,6 million, subject to adjustment ('Coza Transaction').

The Group entered into a mining contractor's agreement with Coza, allowing the Group to undertake mining operations at the mine, pursuant to the grant of the mining right for Farm Morokwa 572 and Farm Jenkins (together 'Jenkins Mine'). On 27 June 2021, the mining right was granted for the Jenkins Mine. Effective management and control of the mining operations through its appointment as mining contractor in terms of the mining contractor's agreement was obtained by the Group effectively from 1 July 2021. On 14 September 2021, all conditions precedent were fulfilled and the agreement became unconditional.

The purchase consideration of R307,6 million, including interest to the amount of R7,6 million, has been settled.

| | Total 2022 R'000 |
|---|---|
| **Carrying amount/fair value of net assets acquired – Coza** | |
| Property, plant and equipment | 307 643 |
| **Net assets/Total consideration (fair value)** | 307 643 |
| **Analysis as per Statement of Cash Flows:** | |
| Total consideration (fair value) | (307 643) |
| **Cash outflow** | (307 643) |

## 14. Fair value estimation

**Fair value determination**

The following table presents the financial assets and liabilities that are measured at fair value:

| | Level 1 R'000 | Level 2 R'000 | Level 3 R'000 |
|---|---|---|---|
| **At 28 February 2023** | | | |
| **Assets** | | | |
| At fair value through other comprehensive income | | | |
| Equity securities* | 67 | – | – |
| Environmental funds** | – | 3 567 | – |
| At fair value through profit or loss | | | |
| Unit trusts** | – | 86 811 | – |
| Trade receivables*** | – | 196 345 | – |
| **Total assets** | 67 | 286 723 | – |
| **Liabilities** | | | |
| Other liability*# | (5 094) | – | – |
| **Total liabilities** | (5 094) | – | – |
| **At 28 February 2022** | | | |
| **Assets** | | | |
| At fair value through other comprehensive income | | | |
| Equity securities* | 74 | – | – |
| Environmental funds** | – | 3 365 | – |
| At fair value through profit or loss | | | |
| Unit trusts** | – | 70 329 | – |
| Trade receivables*** | – | 265 329 | – |
| **Total assets** | 74 | 339 023 | – |

# *Other liability relates to the cash-settled Forfeitable Share Plan of the Group.*

* *This fair value is based on quoted market prices at the end of the reporting period.*

** *The fair value was derived using the adjusted net asset method. The adjusted net asset method determines the fair value of the investment by reference to the fair value of the individual assets and liabilities recognised in the unit trust's/environmental fund's Statement of Financial Position.*

*** *Trade receivables measured at fair value relates to Afrimat Iron Ore Proprietary Limited. The fair value was determined using the three-month forward-looking iron ore prices and foreign exchange rates as at the end of the reporting period.*

| | Audited year ended 28 February 2023 R'000 | Audited year ended 28 February 2022 R'000 |
|---|---|---|
| **15. Dividends** | | |
| **15.1 Afrimat Limited dividends paid/declared in respect of the current year profits** | | |
| Interim dividend paid | **63 888** | 58 537 |
| Final dividend declared/paid | **175 691** | 213 666 |
| | **239 579** | 272 203 |
| **15.2 Dividends cash flow** | | |
| Current year interim dividend paid | **63 888** | 58 537 |
| Previous year final dividend paid | **213 666** | 163 682 |
| Dividends received on treasury shares | **(11 287)** | (8 680) |
| | **266 267** | 213 539 |
| Dividends paid by subsidiaries to non-controlling shareholders | **1 650** | 1 388 |
| | **267 917** | 214 927 |

## 16. Events after reporting date

**Glenover**

As per the SENS announcement on 9 December 2021, in terms of which Afrimat announced that it had purchased certain assets and rights to mine select deposits at the Glenover mine (the 'Sale Assets'), as well as the option to acquire 100,0% of the shares (the 'Sale Shares') in Glenover Phosphate Proprietary Limited ('Glenover') from the current shareholders, for a total purchase consideration of R550,0 million ('Glenover Acquisition'). The Group exercised this option to acquire the shares in Glenover on 19 October 2022. Refer to SENS announcement released on 20 October 2022.

The purchase consideration of R550,0 million is allocated as follows:

- Sale Assets: R250,0 million; and
- Sale of Shares: R300,0 million.

The purchase consideration of Sale Shares of R300,0 million will be settled as follows:

- 50% of the Sale Shares Purchase Consideration shall, at the election of Afrimat, be split between a cash payment and the issuing of Afrimat Shares to the Shareholders; and
- 50% of the Sale Shares Purchase Consideration shall, at the election of the Shareholders, be split between a cash payment and the issuing of Afrimat Shares to the Shareholders.

The Sale of Shares Agreement is subject to the fulfilment of the following outstanding conditions precedent ('Conditions Precedent'):
(i) Approval in terms of section 11 of the Mineral and Petroleum Resources Development Act No. 28 of 2002.

## 17. Going concern

**Russian invasion**

The Russian invasion of Ukraine still has a devastating impact on the global growth. It has filtrated into the South African economy, the Group has experienced a rise in operational costs such as fuel. Based on the current financial and operating performance of the Group and the Group's solvency and liquidity position, the directors believe that the Group will continue as a going concern in the foreseeable future. Management continues to assess and monitor the developments of the war.

**Loadshedding**

The frequent power outages, known as loadshedding, has had a significant impact on the economy of South Africa, and thus affecting the Group as well. These interruptions have resulted in lower production and increased input costs, leading to lower income for businesses. Moreover, if Eskom, the state-owned electricity provider, increases its tariffs further, it will add to the cost burden of South African companies. Despite these challenges, the Group's directors believe that, based on the current financial and operational performance, as well as solvency and liquidity position, the Group will continue to operate as a going concern in the foreseeable future. Management is actively exploring alternative power supply sources to mitigate the impact of loadshedding.

## 18. Contingencies

**Guarantees**

Guarantees to the value of R63,0 million (2022: R65,5 million) were supplied by SBSA to various parties, including the Department of Mineral Resources and Energy ('DMRE') and Eskom.

Guarantees to the value of R139,7 million (2022: R39,0 million) were supplied by FNB to various parties, including the DMRE and Eskom. The increase in the guarantees supplied by FNB relates to a loan agreement entered into between Nkomati and Glencore, whereby Glencore provided Nkomati with a R120,0 million loan, refer note 11.

Guarantees to the value of R0,9 million (2022: R0,9 million) by ABSA, R253,1 million (2022: R249,4 million) by Centriq Insurance Innovation and R2,7 million (2022: R2,7 million) by SIG Guarantee Acceptances Proprietary Limited were supplied to various parties, including the DMRE, Eskom and Chevron South Africa Proprietary Limited.

Guarantees to the value of R94,8 million (2022: R94,8 million) was supplied by Guardrisk to the DMRE. These guarantees relate to the environmental rehabilitation costs for Nkomati.

The majority of these guarantees are in respect of environmental rehabilitation costs and will only be payable in the event of default by the Group.

**Other**

A contingent liability exists due to the uncertain timing of cash flows with regards to future local economic development ('LED') commitments made to the DMRE in respect of companies with mining rights. These commitments are dependent on the realisation of the future agreed upon LED projects. Future commitments amount to R10,4 million (2022: R14,4 million). An accrual has been raised in respect of commitments made up to the end of the year.

The Company received notice on 31 March 2017 from the Competition Commissioner that it had referred a complaint to the Competition Tribunal, alleging that the Company, through its wholly owned subsidiary, Clinker Supplies Proprietary Limited ('Clinker'), had engaged in an abuse of dominance by allegedly charging excessive prices. After taking legal advice and considering the complaint, the Company is of the opinion that there is no merit to the complaint and will therefore vigorously defend itself before the Competition Tribunal. The Competition Commission is ordering an administrative penalty equal to 10% of affected turnover for F2016 which equates to R16,3 million. The Company still awaits a final hearing date to be set by the Tribunal.

| | **Audited year ended 28 February 2023 R'000** | Audited year ended 28 February 2022 R'000 |
|---|---|---|
| **19. Related parties** | | |
| Interest received from associate | – | 94 |

During the prior year, Ikapa Quarries Proprietary Limited entered into a share-buy back transaction with Afrimat Limited, whereby all the shares held by Afrimat Limited were bought back.

## 20. New and amended standards

**New standards and interpretations not yet effective**

There are no standards that are not yet effective that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

**The Group has not early adopted the following new standards and amendments:**

- IAS 1 (effective 1 January 2024): Presentation of Financial Statements – Non-current liabilities with covenants
- IAS 1 (effective 1 January 2023): Presentation of Financial Statements – Classification of liabilities as current and non-current
- IAS 8 (effective 1 January 2023): Accounting Policies, Changes in Accounting Estimates and Errors
- IAS 12 (effective 1 January 2023): Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- IAS 17 (effective 1 January 2023): Insurance Contracts
- IFRS 16 (effective 1 January 2024): Lease liability in a Sale and Leaseback

**Letter from the Chairmen of the Remuneration & Nominations Committee**

**Dear shareholders**

On behalf of the Committees, we present the FY2023 remuneration report. This report highlights Afrimat's remuneration philosophy and policy and illustrates how the policy has been implemented, disclosing payments made to non-executive and executive directors during the year.

In line with King IV Code on Corporate Governance for South Africa, and our commitment to fair and responsible remuneration, our policies are reviewed annually to ensure that Group remuneration and recruitment is aligned with the overall business strategy, with the aim of enabling Afrimat to attract and retain personnel who will create long-term value for all stakeholders.

The Company is committed to shareholder engagement regarding its remuneration policy and its consistent implementation in order to maintain a strong relationship with our shareholders. We will continue to improve policies and practices to be aligned with remuneration developments in local and global best practices but also more importantly aligned with Afrimat's strategy and values.

Both the Company's remuneration policy and its implementation report thereon will again be presented to shareholders for separate non-binding advisory votes at Afrimat's 2023 AGM. In the event that 25% or more of the shareholders vote against either the remuneration policy or the implementation report at the meeting, Afrimat will engage with such shareholders through dialogue, requesting written submissions or otherwise. In order to address their concerns, always with due regard to meeting the Company's stated business objectives while being fair and responsible toward both the employees and shareholders.

**Focus areas for FY2024**

- **Employee development remains a critical item and we will continue to enhance our communication and focus on fair pay principles across the Group**
- **Sound shareholder engagement to ensure a balanced and healthy relationship**
- **Attract and retain personnel who will create long-term value**
- **Continued focus on a healthy culture**

## Committee considerations and decisions

### Introduction

The Remuneration & Nominations Committee is an independent and objective body, which monitors and strengthens the credibility of the Group's executive remuneration system. It ensures that executive directors and management is fairly rewarded and that their remuneration is linked, in part, to individual performance, the Group's performance and market conditions and benchmarks. It assists the Board in monitoring, reviewing and approving Afrimat's remuneration policies and practices, and administration of its share incentive schemes. It is therefore authorised by the Board, to seek any information that may further obtain external legal and/or other independent professional advice if deemed necessary, at the expense of the Group. The requirement for external advisors is assessed annually in the context of issues at hand and the recommendations by these advisors are only used as a guide, and do not serve as a substitute to the Board's thorough consideration of the relevant matters.

The manner in which the Committee is structured and its responsibility demonstrates to all stakeholders that the remuneration of executives is set by independent, objective persons who have no personal interest in the outcome of their decisions and who will give due regard to the interests of all stakeholders and to the financial and commercial health of the Group in reaching their recommendations.

Prescribed officers are defined as those who exercise general executive control over and manage the whole or significant portion of the business and activities of the Group, or who regularly participate to a material degree in such exercise of general executive control and management. The executive directors are deemed to be prescribed officers of the Company. Their remuneration is disclosed in Annexure A on page 33.

### Voting at the AGM held on 3 August 2022

The remuneration policy and implementation report is tabled each year for separate non-binding advisory votes by shareholders at the AGM. At the AGM on 3 August 2022, the remuneration policy and the implementation report were passed by the requisite majorities. As such, no further engagement with shareholders was required. The 2022 and 2021 AGM voting results are set out below.

| | 2022 | 2021 |
|---|---|---|
| **Advisory vote** | | |
| Remuneration policy | **86,7%** | 88,7% |
| Implementation report | **94,5%** | 90,6% |
| **Special Resolutions 1 – 12** | | |
| Future non-executive directors' remuneration | **99,5%** | 99,9% |

The CEO and CFO attend Remuneration & Nominations Committee meetings by invitation to assist with deliberations, except with discussions on their own remuneration.

### Independent external advisors

The Committee contracted the services of Deloitte Touché Tohmatsu Limited during FY2023 for independent external advice. The Committee continues to use Willis Towers Watson Public Limited Company (Willis Tower Watson) for remuneration benchmarking purposes. Furthermore, the Committee is satisfied with their independence and objectivity.

## Remuneration Policy and Framework

The Group pays market-related salaries relevant to an individual's position and the region/area in which he/she will be employed, taking into account his/her qualifications, experience and performance. The administration of the Group's retirement and provident funds is outsourced to Alexander Forbes Limited, which advises on market trends in retirement benefits.

The Group's approach is to reward holistic and balanced as follows:

**Remuneration Mix**

**Guaranteed pay 'GP'**

**Benchmarked against applicable companies to ensure that GP is competitive and attracts and retains the required level of experience and expertise required for the Group**

**Variable pay**

**Short and long-term incentives with the opportunity to earn additional financial rewards over performance periods of between one and three years**

**Base salary 'BS'**

Market-related salary tailored to roles and performance.

**Benefits**

Market-related benefits including pension, provident funds, healthcare and vehicle allowance.

**Short-term incentives 'STI'**

Annual performance bonus paid on the achievement of one-year financial targets. Employees in the Group participate in an STI scheme appropriate to the level and role that they perform in the Group.

**Long-term incentives 'LTI'**

Share schemes designed to incentivise Group CEO, executive directors, execs and senior to middle management levels across the Group, on delivery of long-term strategic goals aligned with shareholder expectations:

- Share appreciation right scheme ('SAR').
- Forfeitable share plan ('FSP').

## Discretion

The remuneration framework provides a guideline for the Group's remuneration arrangements. Although the basis for STI and LTI awards are formulaic in nature, participation in variable pay remuneration is discretionary. The Remuneration Committee determines the size of the STI pools and has the discretion to exercise reasonability and discretion to make *ex gratia* payments where extraordinary value has been created by executives. Discretion is not exercised in the calculation of the performance conditions for the short and long-term incentive schemes. If a material deviation from the Remuneration Policy occurs, this will be appropriately disclosed in the Remuneration Report.

The Group's executives are remunerated in terms of a guaranteed remuneration package and incentivised with a short-term incentive bonus and long-term share appreciation rights scheme and forfeitable share plan. The remuneration packages are structured on a 'cost to company' basis and include contributions to health care and retirement benefits. Annual increases to executive remuneration packages are adjusted for changes in the general cost of living and market-related changes. Performance incentives are calculated in terms of defined profit targets and key performance indicators ('KPIs'), including risk management efficacy. Details of the share appreciation rights scheme and forfeitable share plan for executive directors and senior management are disclosed on pages 31 to 33 of Annexure A. (Afrimat's full remuneration policy is available at www.afrimat.co.za.)

The following section sets out the manner in which the Group's remuneration policy addresses fair and responsible remuneration for executive management in the context of overall employee remuneration.

Some of the principles driving fair and responsible remuneration are:

- consideration given to minimum wage legislative requirements;
- equal pay for work of equal value specifically addressing any income disparities based on gender, race, age and cultural preference;
- participation of senior permanent employees in some form of short-term incentive scheme and/or forfeitable share scheme, the distribution of which is based on the achievement of performance metrics;
- participation of permanent employees in operational business units in some form of a Committee-approved production incentive bonus scheme that is self-funded and affordable. The distribution to individual employees of this bonus pool is based on the achievement of performance metrics; and
- participation in equal measure on product discounts of all permanent employees.

The Group measures the business unit's respective positioning relative to minimum wage legislation. All annual salary increases are informed by affordability, Company performance, internal parity, individual performance and responsibility of the role.

### Employee share benefit scheme

The Afrimat employee trust, Afrimat BEE Trust, holds (indirectly through AEI) on an unencumbered basis, 6,8 million shares representing 4,3% of the issued share capital of the Company. The Company is in the process of increasing the shareholding by qualifying employees to 5,0%.

Qualifying employees will be an individual who must:

- be a permanent employee of the Group, and be employed for at least three uninterrupted years;
- not be serving his/her notice period; and
- not be participating in any other short-term incentive scheme of the Group.

The participation by the qualifying employee in a self-funded productivity incentive bonus scheme shall not disqualify his/her participation in the revised scheme.

The beneficiaries have been allocated units in relation to the shares held. A beneficiary shall not be entitled to dispose and/or encumber or in any way deal with his/her trust unit, but will have a vested right to receive distributions, i.e. dividends commensurate with his/her participation rights. Dividends to the amount of R6,0 million (2022: R5,0 million) was distributed to the qualifying participants during the current financial year.

At least 85,0% of the beneficiaries under the revised scheme shall be people defined as 'black' in terms of the Broad Based Black Economic Empowerment Act. The Company's qualifying employees constitute a representation of more than 85,0% black persons, i.e. 92,7%.

### Employees

Collective wage increases for employees in bargaining units, i.e. where recognition agreements are in place and formal collective bargaining agreements take place, are negotiated with the representative trade union per business unit. Trade union membership in bargaining units comprises 45,2% (2022: 45,2%) of the total workforce.

## Remuneration mix

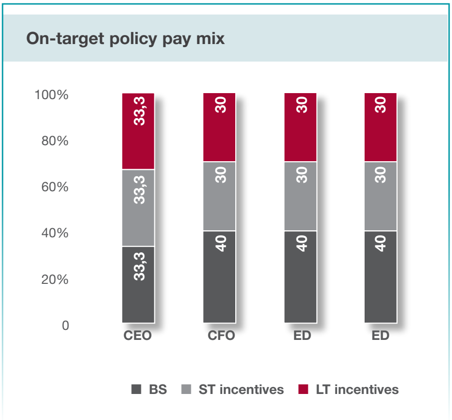
Refer page 29 for remuneration framework of executives.

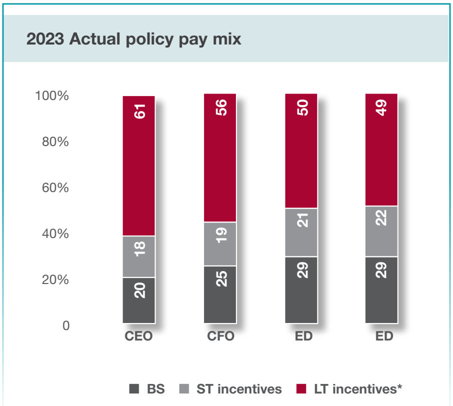
The Company ensures that remuneration for the salaries of executives constitutes a mix of fixed and variable elements (both elements as well as short-term and long-term variable compensation). In terms of the Group's remuneration policy, philosophy and strategy for executives (as opposed to general employees), it weighs the variable remuneration for executives heavier than guaranteed remuneration. Variable remuneration is subject to performance conditions, which need to be met and thus there is a large element of total pay at risk for the executives, aligning performance with reward. The base salaries of executives are benchmarked against Willis Tower Watson annual industry remuneration paper, who are employed particularly for this purpose to ensure independence and integrity of information. The industry remuneration paper reflects the median levels based on the role and individual skills and experience of key individuals.

According to Willis Tower Watson's remuneration survey, the executives are paid at the lower end of the market for their respective roles in fixed pay. However, the Company places a higher relative target on variable pay which is seen as a more aggressive pay mix. The Committee is satisfied that the total reward outcome should be the key driver in executive pay should they achieve their targets. This further entrenches the concept of performance and reward.

Share appreciation rights and forfeitable shares are issued to executives to align the interest of executives with those of the shareholders. The award of share options and forfeitable shares to key management is recommended by the Remuneration & Nominations Committee and approved by the Board. Refer to note 18 on page 136 of the annual financial statements for further information. Non-executive directors do not take part in any performance based remuneration, as to not adversely affect the independence and objectivity of such directors.

The below graph has been inserted to reflect the Company policy to ensure an acceptable mix of short-term, long-term and cost to company remuneration for executives:




* *LT incentives are valued at vesting date and not award date.*

### Benchmarking

The Group uses industry and country specific benchmarking in ensuring that we apply the right mix and remunerate our executives competitively. The Committee uses remuneration surveys and peer group data from the JSE construction/mining sector. Afrimat targets between the 25th percentile and the 50th percentile for guaranteed pay of the market for executives due to higher relative variable pay with regards to the short-term incentive bonus scheme ('STIBS') and LT incentives.

### Employment contracts

Refer to note 19 on page 140 of the annual financial statements for further information.

### Share appreciation right plan ('SAR')

Upon recommendation of the CEO and the Remuneration & Nominations Committee, the Board may approve and grant equity-based remuneration in the form of SARs.

SARs are granted to executives and key employees having regard, among other things, to the past and potential contribution of the person to the Group and the need to retain the skills of the employee. The instruments provide a right to future delivery of Afrimat shares (the value equating to the growth in share price from grant date to exercise date of the instruments, e.g. if 10 SARs are awarded at R10 and the share price grows to R20, then R100 will be delivered in shares (five shares at R20 on exercise date). Overall levels of SARs granted are reviewed annually in accordance with market best practice. Every qualifying position will be capped in terms of the maximum total SARs. When SARs vest the performance criteria stipulated in the SAR scheme rules (and agreed with participants in terms of grant letters) determine whether individuals qualify to receive shares and the quantum of shares. The vesting period of the SARs is typically three years, but SARs may vest up to five years after grant date (with a further exercise period). For early termination of employment (based on resignation, dismissal) all unvested SARs will lapse, but for good leavers (disability, death, retrenchment, etc.) unvested SARs will vest pro rata based on time employed and the extent to which performance conditions were met. The aggregate number of shares at any one time, which may be settled in respect of this SAR to all participants, shall not exceed 10 million shares, which equates to approximately 7,0% of the number of issued shares at the date of adoption of the SAR. Although a limitation of 7,0% was provided in the SAR rules, the actual aggregate number of shares that may settle at any one time has always been below 2,0%.

The maximum number of shares settled to any single participant in terms of this SAR, will not exceed one million shares, which equates to approximately 0,7% of the numbered issued shares at the date of adoption of the SAR, which is considered in line with best market practice. The limits will be aggregated with the FSP as discussed below.

All awards in terms of the SAR scheme were subject to financial performance conditions and it is the Company's intention to continue with the award policy of making SAR awards subject to financial performance conditions rather than retention conditions.

The nature of performance conditions to be imposed in terms of the SAR scheme rules provides the Committee with the flexibility to determine the most appropriate conditions to impose on an annual basis and taking cognisance of the economic and business conditions at the time of the SAR award. The financial performance conditions for the vesting of SARs are agreed in the SAR award letter to participants annually.

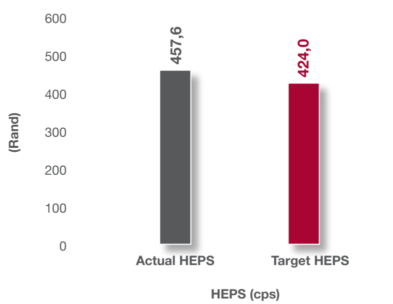
The achievement of the performance conditions for the SAR vesting during the year is as follows:

| Performance measure | Targets |
|---|---|
| Target year three | HEPS growth of cumulative CPI for the three-year performance period + 6% from base year |
| Target year four | HEPS growth of cumulative CPI for the four-year performance period + 8% from base year |
| Target year five | HEPS growth of cumulative CPI for the five-year performance period + 10% from base year |

**Vesting of Grant 15 SAR allocation:**
The performance conditions for the Grant 15 SAR allocation vesting on 19 May 2023 were tested to determine if vesting had been achieved.

The performance condition for SARs is HEPS growth of cumulative CPI plus 6% over the three-year performance period. The graph shows the target HEPS, which is required for the full vesting of the May 2020 SAR, against actual HEPS. Actual HEPS achieved was 457,6 cps, 33,6 cps above the target HEPS of 424,0 cps. Based on the outcome, the May 2020 allocations have vested and was exercisable as from 19 May 2023, subsequent to approval by the Remuneration & Nominations Committee.

**HEPS performance – SARs**




## Forfeitable share plan ('FSP')

A FSP is in place as a long-term incentive for selected employees to encourage delivery of the Group's business strategy and to serve as a retention mechanism.

Forfeitable shares are awarded annually to executive directors, senior executives and senior managers based on achieving Company and individual performance objectives for the year under review. The performance objectives relate to specific KPIs identified per individual and their respective overall performance thereon. The FSP currently has nine (2022: nine) participants. The FSP participant population is intended to be for individuals who are condisered to be key to the Company's leadership and is considered annually. A forfeitable share award vests after a period of three years. Forfeitable share awards will be forfeited if the participant leaves employment during the restricted period (except if the participant is a 'good leaver' under the scheme rules).

The shares are held by a Central Depository Participant ('CSDP') on behalf of the employee during the time of the vesting period and the employee will not be able to dispose of the shares before the vesting date.

The FSP provides for the delivery of full shares (performance and/or restricted shares) on grant. The shares are subject to forfeiture and disposal restrictions and are held on behalf of a participant until it vests. A participant will have all other shareholder rights (i.e. dividends and voting rights) from grant date. Overall levels of FSPs granted are reviewed annually in accordance with market best practice. The number of FSPs granted to participants is based on the participant's total cost of employment ('TCOE'), grade, performance, retention requirements and market benchmarks. Every qualifying position will be capped in terms of the maximum total FSPs. The vesting period of the FSP is three years. For early termination of employment (based on resignation, dismissal) all unvested FSPs will lapse, but for good leavers (disability, death, retrenchment, etc.) unvested FSPs will vest *pro rata* based on time employed.

Refer to limits set in aggregate with the SAR scheme as presented above.

### Short-term variable incentives

The short-term incentive bonus scheme ('STIBS') is discretionary and is linked to the achievement of targets led by the short-term performance target of headline PBIT. Bonuses are paid proportional to TCOE relative to achievement of financial and operational targets.

Bonuses are created after the achievement of predefined targets aligned to the Group's strategic plan. Bonuses are increased in value as threshold, target or stretch targets are attained. Bonuses are capped at the following percentages of TCOE:

| Category | Bonus cap | Performance rating |
|---|---|---|
| Group CEO | On-target 77%<br>Stretch 23% | **89%**<br>**95%** |
| Group Executive Directors | On-target 47%<br>Stretch 33% | **89%**<br>**100%** |

All bonuses paid are subject to approval by the Board on recommendation of the Remuneration & Nominations Committee.

STIBS is based on performance of FY2023.

## Pledged securities

In compliance with 3.64(h) the following is being disclosed to shareholders. A number of 4,1 million Afrimat ordinary shares held by directors were pledged as a guarantee for a medium-term loan of R3,5 million.

## Implementation and remuneration disclosure of the CEO, CFO and ED's

The implementation report details the outcomes of implementing the remuneration policy and detailed on page 35.

### 2023 STIBS performance

A component to the CFO and executive director's performance scorecard specifically relates to their respective responsibility i.e. financial metrics, people management and safety, health and environment. But moreover, their scorecards are aligned to that of the CEO and therefore presented as one scorecard for the purposes of disclosure in terms of achieving their relevant targets.

Detailed disclosure of the CEO, CFO and executive director's performance scorecard is as follows:

| | Performance | |
|---|---|---|
| **Key performance areas** | **Target** | **Actual** |
| Financial returns | **HEPS, cash generated from operations, RONA.** | Slight decrease in HEPS and RONA mainly due from the pull-back from iron ore prices as well as a significant increase in fuel prices across all business segments. A 31,3% improvement on cash generation from operations was achieved. Overall, a solid performance was attained during FY2023. |
| Safety, health and environment | **LTIFR lower than 1, no reported environmental compliance incidence and clean audit result with health legislation compliance.** | 0,34 LTIFR, no reported incidence and clean audit result. |
| People management | **Performance management, develop organisational culture, succession planning and drive leadership development programme.** | Management of Company-wide performance management system, integration of acquisitions and driving culture programme Group-wide, assessment of leadership talent and enhancing of individual development plans. |
| B-BBEE | **Compliance to revised B-BBEE criteria.** | Comply with all targets in Mining Charter and employment equity plans. Improvement on all targets. |
| Business strategy | **Approved strategy which focuses on five-year growth objective.** | Cost reduction optimisation, sustainable HEPS growth. |
| Ensuring Afrimat has a positive image with investors | **Positive relations with investors, good profile in the media and compliance to values and legislation.** | Frequent interaction with top investors, clean audit reports, functional internal audit and annual financial statements. |

Stretched targets in relation to the CEO's performance included:

| | Performance | |
|---|---|---|
| **Key performance areas** | **Target** | **Actual** |
| Improve and grow the Nkomati business to a steady state | **Steady-state sales target is 540 000 tpa.** | During the year extensive mine development was done. It is expected that a steady-state status will be achieved during the second half of FY2024. |
| Successful conclusion and implementation of acquisitions | **Quantified strategic plan, for the implementation of successful acquisitions as well as turnaround strategy for these businesses.** | Aquisitions are progressing well in accordance with predetermined plans. |
| Drive a Company-wide efficiency optimisation programme | **Mining cost reduction of 10% in R/ton, when comparing ton 28 February 2022.** | The excessive increases in fuel and explosive cost were sufficiently mitigated by a company-wide efficiency drive. |

## Single-figure remuneration

Single-figure remuneration is disclosed for executive directors' remuneration for the year. The intention of single-figure remuneration is to disclose the remuneration earned or accrued by directors based on the performance of the current year, including any income attributable to unvested long-term share schemes.

## Tables of single total figure of remuneration

The following tables have been prepared in accordance with the provisions of King IV™ and practices notes.

The value of the SAR and FSP are on vesting date and not on award date. The material increase is linked to growth in shareholder value.

**Andries J van Heerden (CEO)**

| | 2023 R'000 | 2022 R'000 | % increase |
|---|---|---|---|
| BS | **6 480** | 6 112 | 6,0% |
| STIBS | **5 835** | 5 890 | (0,9%) |
| SAR | **12 141** | 8 594 | 41,3% |
| FSP | **6 964** | 6 982 | (0,3%) |
| Dividends | **543** | 493 | 10,1% |
| **Total (Pre-tax)** | **31 963** | 28 071 | 13,9% |

**Pieter GS de Wit (CFO)**

| | 2023 R'000 | 2022 R'000 | % increase |
|---|---|---|---|
| BS | **3 947** | 3 717 | 6,2% |
| STIBS | **2 945** | 2 870 | 2,6% |
| SAR | **5 233** | 3 612 | 44,9% |
| FSP | **3 196** | 3 331 | (4,1%) |
| Dividends | **304** | 297 | 2,4% |
| **Total (Pre-tax)** | **15 625** | 13 827 | 13,0% |

**Collin Ramukhubathi (ED)**

| | 2023 R'000 | 2022 R'000 | % increase |
|---|---|---|---|
| BS | **3 596** | 3 379 | 6,4% |
| STIBS | **2 685** | 2 620 | 2,5% |
| SAR | **2 736** | 1 993 | 37,3% |
| FSP | **3 196** | 3 331 | (4,1%) |
| Dividends | **304** | 297 | 2,4% |
| **Total (Pre-tax)** | **12 517** | 11 620 | 7,7% |

**MG (Gerhard) Odendaal (ED)**

| | 2023 R'000 | 2022 R'000 | % increase |
|---|---|---|---|
| BS | **3 883** | N/A | N/A |
| STIBS | **2 885** | N/A | N/A |
| SAR | **3 078** | N/A | N/A |
| FSP | **3 196** | N/A | N/A |
| Dividends | **304** | N/A | N/A |
| **Total (Pre-tax)** | **13 346** | N/A | N/A |

* *Marthinus G Odendaal was appointed as executive director on 13 April 2022.*

## Non-executive directors’ remuneration

The Remunerations Committee is of the opinion that the existing annual fee to Board members is below market benchmarks applicable to the size of Afrimat. The proposed annual fee to Board members has therefore been increased in line with market rates applicable to the size of Afrimat.

The proposed annual fee to Board members has been increased with 10,0% to be more in line with market rates to the size of Afrimat.

The remuneration of non-executive directors is paid monthly and does not include short-term or long-term incentives. The directors are therefore not paid Board attendance fees, as historically, 100% attendance of meetings is evident. The Company reimburses reasonable travel and accommodation to attend meetings. The Board and committee member remuneration structure consists of a fixed fee as set out in the table below:

| Type of fee | **Proposed annual fee 2023/24 R** | Actual annual fee 2022/23 R |
|---|---|---|
| **Board** | | |
| Chairman | **1 047 000** | 952 000 |
| Deputy Chairman | **N/A** | 550 000 |
| Board member | **368 000** | 334 000 |
| **Audit & Risk Committee** | | |
| Chairman | **221 000** | 201 000 |
| Member | **121 000** | 110 000 |
| **Remuneration & Nominations Committee** | | |
| Chairman – Remuneration | **87 000** | 79 000 |
| Chairman – Nominations | **87 000** | 79 000 |
| Member | **68 000** | 62 000 |
| **Social, Ethics & Sustainability Committee** | | |
| Chairman | **105 000** | 95 000 |
| Member | **68 000** | 62 000 |
| **Investment Review Committee** | | |
| Chairman | **105 000** | 95 000 |
| Member | **68 000** | 62 000 |

On advice from the Remuneration & Nominations Committee, the Board recommends the increase for all non-executive director fees for approval by shareholders at the next AGM. Only once the shareholder resolution is passed, will the proposed fees be paid.

### Service contracts: non-executive directors

A daily rate of R22 000 for non-executive directors is currently paid for extraordinary duties. This daily rate will be requested for approval by shareholders at the next AGM.

There are no other service contracts between the Company and its non-executive directors.

No agreements to pay fixed fees on termination have been entered into with any of the non-executive directors.

# Annexure B: Analysis of Shareholders

as at 28 February 2023

| | Number of shareholders | % | Number of shares | % |
|---|---|---|---|---|
| **Shareholding** | | | | |
| 1 – 1 000 shares | 11 485 | 77,26 | 1 924 874 | 1,21 |
| 1 001 – 10 000 shares | 2 651 | 17,83 | 8 712 138 | 5,45 |
| 10 001 – 100 000 shares | 566 | 3,81 | 17 800 848 | 11,15 |
| 100 001 – 1 000 000 shares | 145 | 0,98 | 38 356 485 | 24,01 |
| 1 000 000 shares and over | 18 | 0,12 | 92 924 584 | 58,18 |
| | 14 865 | 100,00 | 159 718 929 | 100,00 |
| **Analysis of holdings** | | | | |
| **Non-public shareholding** | | | | |
| Directors and their associates | 8 | 0,05 | 10 259 100 | 6,43 |
| Treasury shares – Afrimat Management Services Proprietary Limited | 1 | 0,01 | 4 838 648 | 3,03 |
| Treasury shares – Afrimat Empowerment Investments Proprietary Limited/Afrimat BEE Trust | 1 | 0,01 | 6 830 894 | 4,28 |
| | 10 | 0,07 | 21 928 642 | 13,74 |
| Public shareholding | 14 855 | 99,93 | 137 790 287 | 86,26 |
| | 14 865 | 100,00 | 159 718 929 | 100,00 |

# Annexure B: Analysis of Shareholders (continued)

as at 28 February 2023

| | Number of shares | % | Number of BEE shares | % |
|---|---|---|---|---|
| **Major, founder and BEE shareholders** | | | | |
| **Founder shareholders – related parties** | | | | |
| Andries J van Heerden (CEO) | 4 340 506 | 2,72 | – | – |
| Maryke E van Heerden | 1 198 543 | 0,75 | – | – |
| Amala Familie Trust (CEO) | 853 564 | 0,53 | – | – |
| **Founder shareholders – not related parties** | | | | |
| Korum Trust (TCB Jordaan) | 9 010 000 | 5,64 | – | – |
| Forecast Investments Proprietary Limited (Laurie P Korsten) | 400 000 | 0,25 | – | – |
| Frans du Toit Trust | 17 642 000 | 11,05 | – | – |
| **Other major shareholders** | | | | |
| Government Employees Pension Fund | 27 338 163 | 17,12 | – | – |
| **BEE shareholders*** | | | | |
| Mega Oils Proprietary Limited (Loyiso Dotwana, non-executive director) | 2 160 000 | 1,35 | 2 160 000 | 1,35 |
| Afrimat Empowerment Investments Proprietary Limited/ Afrimat BEE Trust | 6 830 894 | 4,28 | 6 328 823 | 3,96 |
| Collin Ramukhubathi | 123 128 | 0,08 | 123 128 | 0,08 |
| Joe Kalo Investments Proprietary Limited | 90 000 | 0,06 | 90 000 | 0,06 |
| Johannes M Kalo | 60 090 | 0,04 | 60 090 | 0,04 |
| Goolam Ballim | 227 009 | 0,14 | 227 009 | 0,14 |
| Mandated investments | 69 946 031 | 43,79 | 8 190 680 | 5,13 |
| Previously recognised interest** | – | – | – | 17,45 |
| | 140 219 928 | 87,80 | 17 179 730 | 28,21 |
| Other | 19 499 001 | 12,20 | – | – |
| | 159 718 929 | 100,00 | 17 179 730 | 28,21 |

* *During the current year the Flow Through Principal method was used to calculate the BEE ownership of the Group.*

** *Shares sold previously held by ARC, the shares qualify to be recognised in terms of paragraph 3.8 Recognition of ownership after the sale or loss of shares by black participants, of the B-BBEE Codes of good practice ('Codes'), therefore we are able to include these shares into our BEE ownership.*

# Notes

**Directors**
FM Louw*# (Chairman)
AJ van Heerden (CEO)^
PGS de Wit (CFO)^
C Ramukhubathi^
MG Odendaal^
GJ Coffee*#
L Dotwana*
PRE Tsukudu*#
JF van der Merwe*# (Lead Independent Director)
JHP van der Merwe*#
S Tuku*#
NAS Kruger*#

* *Non-executive director*
\# *Independent*
^ *Executive director*

**Registered office**
Tyger Valley Office Park No. 2
Cnr. Willie van Schoor Avenue and Old Oak Road
Tyger Valley, 7530
(PO Box 5278, Tyger Valley, 7536)

**Sponsor**
Valeo Capital Proprietary Limited
Unit 12
Paardevlei Specialist Centre
Somerset West
7130

**Auditor**
PricewaterhouseCoopers Inc.
1st Floor, Trumali Forum Building, Trumali Park
Cnr. Trumali Street and R44
Stellenbosch, 7600
(PO Box 57, Stellenbosch, 7599)

**Transfer secretaries**
Computershare Investor Services Proprietary Limited
(Registration number 2004/003647/07)
Rosebank Towers, 15 Biermann Avenue
Rosebank, 2196
(Private Bag X9000, Saxonwold, 2132)

**Company secretary**
C Burger
Tyger Valley Office Park No. 2
Cnr. Willie van Schoor Avenue and Old Oak Road
Tyger Valley, 7530
(PO Box 5278, Tyger Valley, 7536)

**www.afrimat.co.za**

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